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Santos AGM outlines plans to boost oil production

Addressing the Annual General Meeting of Santos Ltd, the Chairman, Mr Stephen Gerlach, told shareholders that 2002 had been one of the most productive and exciting years in the Company's 49-year history.

The Company:

- Achieved record production and sales,
- Established three new growth projects,
- Commercialised 620 petajoules of gas,
- Achieved savings in capital and operating costs of \$78 million, ahead of target.
- Discovered resource potential of 106 million barrels of oil equivalent through exploration and replaced 119% of reserves.

"Santos' future prospects are excellent", Mr Gerlach said.

The Company also announced plans to boost both near and longer-term oil and liquids production.

"It is oil and liquids that provide the high margin upside for our investors", Managing Director Mr John Ellice-Flint said.

The Company announced plans targeting increased near-term oil production through optimization of existing oil fields and discoveries. It is seeking to trial advanced technology on previously uncommercial Cooper Basin oil reservoirs, drilling up to 16 wells at a cost of \$25 million. It will also participate in infill drilling in the Legendre oil field in the Carnarvon Basin and possible development of already discovered fields in the Timor Sea.

Mr Ellice-Flint also updated shareholders on progress with two of the Company's flagship growth projects, the Bayu-Undan liquids development and the Mutineer-Exeter oil development, which will also begin to contribute to oil and liquids production in 2004 and 2005.

The Mutineer Exeter fields are estimated to have approximately 120 million barrels of proven and probable oil reserves - a 50 per cent increase in Santos' total oil reserves.

Mr John Ellice-Flint, said the current target was to achieve full Mutineer-Exeter project sanction before the end of 2003, with first production in 2005.

"A Floating Production and Offloading facility concept has been selected for development of the oil fields," Mr Ellice-Flint told shareholders.

“In order to progress the development as efficiently as possible, four major internationally recognised contractors have been pre qualified and a technical definition phase has commenced,” he said.

This will be followed by a commercial tender phase for the lease of the facility to be completed by end June.

Mr Ellice-Flint said the Mutineer-Exeter oil discoveries were part of a profile of growth projects being assembled by Santos to take the Company forward in the longer term.

The Company’s growing portfolio of exploration acreage also provides potential for future growth.

“Today, we have more exploration acreage in Australia than any other company as a result of acreage awards in the offshore Otway, Sorell, Duntroon, Browse and Houtman Basins”.

Commenting on the immediate outlook, the Chairman, Mr Stephen Gerlach said, “For 2003 and part of 2004 our major future growth providers will be in the development stage. Accordingly 2003 will probably see a marginal decline in production and sales volumes and oil prices during the remainder of 2003 will obviously impact on our revenue and profit line”, Mr Gerlach said. “However we have made a solid start to the year as is reflected in our report to the Australian Stock Exchange for the first quarter”.

Mr Ellice-Flint also commented on the Company’s initiatives to control costs to increase margins, with an increased target of \$100 million of cumulative savings by end 2003.

“We have been successful in reducing capital costs. We are now focusing on operating costs. Santos is a low cost operator but we are constantly searching for ways to improve our performance”.

Copies of the AGM presentations are available at the Santos website: www.santos.com

Santos Limited is a major Australian oil and gas exploration and production company with interests in all Australian hydrocarbon provinces. The Santos group also operates in the USA, Indonesia and PNG.

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Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR).